NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (10/22)
BUTTER: Grade AA closed at $1.5975. The weekly average for Grade AA is $1.6300 (-.0542).
CHEESE: Barrels closed at $1.5325 and blocks at $1.5650. The weekly average for barrels is $1.5150 (+.1145) and blocks, $1.5475 (+.0930).
NONFAT DRY MILK: Extra Grade closed at $0.8500 and Grade A at $0.8500. The weekly average for both Extra Grade and Grade A is $0.8500 (N.C.).

BUTTER: The butter market is mixed. CME cash price gyrations of the past few weeks continue. Higher and lower prices are causing producers and buyers concerns. Many indicate that it is difficult to make sound production and purchasing decisions when prices are jumping around as they have been. Stocks of butter remain lighter than desired. Imports of butter under license requirements for the first nine months of the year total 12.7 million pounds, up 22.5% from the same period in 2003. Imports for the year stand at about 83% of the tariff-rate quota. Imports of high tier (non quota) butter for the period total 17.9 million pounds, up about 600,000 pounds from last month, but sharply higher than last year. Over 80% of the non quota total entered the states during the first six months of 2004 when domestic butter supplies were in question and the cash price was considerably higher than current levels. The nine month high tier import totals are heavier than the past two years but are below 2001 levels when nearly 24.9 million pounds of butter were imported during January – September. Reports indicate that print sales are average to good going into the holiday season. Most Thanksgiving orders have been placed and, for the most part, shipped.

CHEESE: The cheese market is firm. Daily cash cheese prices on the Chicago Mercantile Exchange have recovered about 20 cents from the recent lows of 2 weeks ago. The recent fluctuations have caused buyers to delay some orders. Natural cheese orders for the holidays are being processed and are frequently good with some overtime needed. Process sales are about steady. Current natural supplies are tight to adequate. Cheese production is often higher than expected due to larger milk volumes and/or better yields than normal.

FLUID MILK: Florida continues to recover from the damage and milk production problems caused by the hurricanes. Milk receipts are increasing but milk imports from other areas remain seasonally heavy. Plant intakes in the Middle Atlantic States are steady. Declines are noted in the Northeast and parts of the upper Midwest. Wet weather in California and, in recent weeks, Arizona and New Mexico have caused flooding and transportation issues. Milk receipts though are little changed. Wet conditions in the Pacific Northwest may be reducing receipts at some plants with others unaffected.

DRY PRODUCTS: The whey markets are steady to mostly firm with prices higher. Increased export interest has helped reduce supplies at some locations. However, some resistance is noted by some exporters. Production is fairly steady though still higher than expected in the West. The WPC market is steady with good export interest and fair domestic sales. Production is steady. Lactose is weak with domestic demand fair and export interest light. The NDM market is generally steady. Exports of NDM continue from the West though clearances to CCC continue to help balance. The high heat NDM market is unsettled with sales slower than anticipated and production is being cut. The buttermilk market is steady to weak. Demand is often light though expected to improve as the holidays near. Producers continue to push concentrated sales to reduce dried volumes.

CCC: For the week of October 18 - 22, CCC net purchases total 6,330,507 pounds of NDM. Western sources offered 5,879,888 pounds, 331,571 pounds from the Central, and 119,048 pounds from the East. The October 2004 NDM uncommitted inventories provided by USDA, Farm Service Agency, are reported at 0 pounds.

FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS): Under the Federal milk order pricing system, the base price for Class I milk for November 2004 is $14.29, down 49 cents from October. This price is derived from the advanced Class III skim milk pricing factor of $7.81 and the advanced butterfat pricing factor of $1.9288 per pound. Class I differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for November is $7.14 and the Class II nonfat solids price is $0.7933 per pound. The following are the two-week product price averages: butter $1.7223, nonfat dry milk $0.8626, cheese $1.5373, and dry whey $0.2241.

SEPTEMBER MILK PRODUCTION (NASS): Milk production in the 20 major states during September totaled 11.9 billion pounds, up 1.3% from September 2003. August revised production, at 12.4 billion pounds, was up 1.4% from August 2003. The August revision represented a decrease of 11 million pounds or 0.1% from last month's preliminary production estimate. Production per cow in the 20 States averaged 1,529 pounds for September, 18 pounds (1.2%) above September 2003. The number of milk cows on farms in the 20 States was 7.77 million head, 6,000 head more than last year, and 4,000 head more than August 2004.

DAIRY OUTLOOK (ERS): Monsanto has indicated that limited supplies of bovine somatotropin (BST) will continue "well into 2005, with incremental increases occurring over time," and some allocations will remain in place. For most of 2004, established users of BST were limited to only half their normal purchases, and no new customers were accepted. On December 1, 2004, allocations will increase to at least 70% of historical purchases. The delay of full BST availability will dampen recovery in milk per cow during the first half of 2005. However, the prospects for substantial recovery in gains in milk per cow remain generally favorable.

SEPTEMBER FEDERAL MILK ORDER PRICE AND POOL SUMMARY (DAIRY PROGRAMS): During September, about 7.9 billion pounds of milk were received from producers. This volume of milk is 19.4% higher than the September 2003 volume on a comparable market basis. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is -1.2%.) About 3.8 billion pounds of producer milk were used in Class I products, 0.2% lower than the previous year on a comparable market basis. Calendar composition had a negative impact on milk used in Class I in 2004 as compared to 2003. The all-market average Class utilizations were; Class I = 48%, Class II = 15%, Class III = 28%, and Class IV = 9%. The weighted average statistical uniform price was $15.52 per cwt., $0.53 higher than last month, and $1.06 higher than last year.

******SPECIAL THIS ISSUE******

CHICAGO MERCANTILE EXCHANGE
CASH TRADING

PRODUCT	MONDAY OCTOBER 18	TUESDAY OCTOBER 19	WEDNESDAY OCTOBER 20	THURSDAY OCTOBER 21	FRIDAY OCTOBER 22	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	$1.4875 (N.C.)	$1.4975 (+.0100)	$1.5275 (+.0300)	$1.5300 (+.0025)	$1.5325 (+.0025)	(+.0450)	$1.5150 (+.1145)
40# BLOCKS	$1.5200 (N.C.)	$1.5300 (+.0100)	$1.5600 (+.0300)	$1.5625 (+.0025)	$1.5650 (+.0025)	(+.0450)	$1.5475 (+.0930)
NONFAT DRY MILK							
EXTRA GRADE	$.8500 (N.C.)	$.8500 (N.C.)	$.8500 (N.C.)	$.8500 (N.C.)	$.8500 (N.C.)	(N.C.)	$.8500 (N.C.)
GRADE A	$.8500 (N.C.)	$.8500 (N.C.)	$.8500 (N.C.)	$.8500 (N.C.)	$.8500 (N.C.)	(N.C.)	$.8500 (N.C.)
BUTTER							
GRADE AA	$1.6500 (-.0775)	-----	$1.6425 (-.0075)	-----	$1.5975 (-.0450)	(-.1300)	$1.6300 (-.0542)

CHEESE: carload = 40,000-44,000 lbs., NONFAT DRY MILK: carlot = 42,000-45,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM

CHICAGO MERCANTILE EXCHANGE

MONDAY, OCTOBER 18, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED:NONE
BUTTER — SALES: 21 CARS GRADE AA: 3 @ $1.7275, 2 @ $1.6900, 2 @ $1.6700, 2 @ $1.6600, 2 @ $1.6500, 2 @ $1.6475, 2 @ $1.6500, 2 @ $1.6525, 1 @ $1.6500, 2 @ $1.6400, 1 @ $1.6500; BIDS UNFILLED: 5 CARS GRADE AA @ $1.6000; OFFERS UNCOVERED: 7 CARS GRADE AA: 2 @ $1.6500, 2 @ $1.6575, 2 @ $1.7100, 1 @ $1.7500

TUESDAY, OCTOBER 19, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR BARRELS @ $1.4975; 1 CAR 40# BLOCKS @ $1.5300; OFFERS UNCOVERED: NONE
NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, OCTOBER 20, 2004

CHEESE — SALES: 1 CAR 40# BLOCKS @ $1.5600; BIDS UNFILLED: 1 CAR BARRELS @ $1.5275; 1 CAR 40# BLOCKS @ $1.5400; OFFERS UNCOVERED: NONE
NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
BUTTER — SALES: 5 CARS GRADE AA: 1 @ $1.6275, 1 @ $1.6300, 1 @ $1.6325,1 @ $1.6400, 1 @ $1.6425; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 13 CARS GRADE AA @ $1.6500

THURSDAY, OCTOBER 21, 2004

CHEESE — SALES: 4 CARS 40# BLOCKS @ $1.5625; BIDS UNFILLED: 1 CAR BARRELS @ $1.5300; 2 CARS 40# BLOCKS: 1 @ $1.5625, 1 @ $1.5600; OFFERS UNCOVERED: NONE
NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

FRIDAY, OCTOBER 22, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: 3 CARS BARRELS @ $1.5325; 2 CARS 40# BLOCKS: 1 @ $1.5650, 1 @ $1.5625; OFFERS UNCOVERED: NONE
NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
BUTTER — SALES: 32 CARS GRADE AA: 1 @ $1.6000, 2 @ $1.5975, 3 @ $1.6000, 3 @ $1.6025, 5 @ $1.6050, 1 @ $1.6000, 1 @ $1.5950, 3 @ $1.5900, 1 @ $1.5850, 1 @ $1.5825, 1 @ $1.5800, 1 @ $1.5725, 1 @ $1.5700, 1 @ $1.5725, 2 @ $1.5800, 1 @ $1.5825, 1 @ $1.5800, 1 @ $1.5900, 1 @ $1.5925, 1 @ $1.5975; BIDS UNFILLED: 6 CARS GRADE AA: 3 @ $1.5750, 1 @ $1.5700, 1 @ $1.5625, 1 @ $1.5600; OFFERS UNCOVERED: 32 CARS GRADE AA: 14 @ $1.6000, 1 @ $1.6050, 2 @ $1.6150, 3 @ $1.6300, 4 @ $1.6325, 2 @ $1.6350, 2 @ $1.6400, 4 @ $1.6425

BUTTER MARKETS

NORTHEAST

The market tone remains unsettled. The cash butter price rebounded nicely last week, but lost 7.75 cents in Monday's (10/18) trading. Some contacts are a little confused by the recent, wide price swings in this market. The large price swings cause buyers/distributors to have difficulty timing purchases. Production levels are spotty, mostly light to moderate. Some producers are churning a few days a week and continue to microfix to fill the balance of the week. Retail and food service orders are reported as mostly steady. Sales of bulk butter f.o.b. East, are reported in a range of flat market to 5.5 cents over the CME price/average.

CENTRAL

Butter markets remain mixed. Cream supplies were more available over the past weekend, but tightened early in the week. The cash price at the CME has been fluctuating higher and lower during the past few weeks which is causing producers and buyers many concerns. It is difficult to make sound production and purchasing decisions when prices are jumping around as they have been. Stocks remain much lighter than desired. Butter imports continue to enter the country. Under the annual quota of about 15.4 million pounds, nearly 12.7 million pounds have entered the U.S. during the first nine months of this year which compare to about 10.4 million pounds during the January – September 2003 period. High tier or non quota volumes for the period total 17.9 million pounds compared to 190,000 pounds last year. Over 80% of the non quota butter total entered the states during the first six months of 2004 when domestic butter supplies were in question and the cash price was considerably higher than current levels. The nine month high tier import totals are heavier than the past two years but are below 2001 levels when nearly 24.9 million pounds of butter were imported during January - September. Current buying interest is fair, but seasonally active. Orders continue to be placed for upcoming holiday needs. Most Thanksgiving orders have been placed and, for the most part, shipped. Yearend orders continue to occur, but many producers and handlers have a pretty good feel for what the demand situation will be for the balance of the year. Some handlers report that retail feature activity will be occurring during the final quarter, but also indicate that it appears that this activity will not be as aggressive as in past years. Bulk butter for spot sale is being reported in the 2 - 4 cents per pound range over various pricing basis.

WEST

Butter markets continue their daily and weekly gyrations. Two weeks ago prices were sharply lower at the cash CME market. This past week they recovered much of the loss. This week they declined sharply again early in the week. Reports indicate that print sales are average to good going into the holiday season. Cream supplies are available for churning and buyers are reducing multiples they are willing to pay to take the cream. Some churns continue to report being behind on shipments while others report that they have plenty of butter on hand. Imports of butter under license requirements for the first nine months of the year total 12.7 million pounds, up 22.5% from the same period in 2003. Imports for the year stand at about 83% of the tariff-rate quota. Imports of high-tier butter for the period total 17.9 million pounds, up about 600,000 pounds from last month, but sharply higher than last year. Bulk butter prices range from 2 to 5 cents under based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

	CHEESE				
	40# BLOCKS	BARRELS	NDM	BUTTER	DRY WHEY
WEEK ENDING		38% MOISTURE			
OCTOBER 16	1.5339	1.4794	0.8642	1.6882	0.2280
	8,449,787	9,645,544	17,601,038	3,048,714	11,412,206

Further data and revisions may be found on the internet at: http://jan.mannlib.cornell.edu/reports/nassr/price/dairy

CHEESE MARKETS

NORTHEAST

Prices are lower and the market tone remains unsettled to weak. Prices at the CME have rebounded, but the weekly average still moved lower. The lower prices have buyers and retailers showing more buying interest as they try to pick up extra product before prices move higher. Cheese output in the Northeast remains light due to the tight supply of surplus milk. Demand for holiday items is getting underway and orders are being placed. Current retail demand is steady at slow to fair levels. Food service orders are mostly steady.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.5225-2.0375
Cheddar Single Daisies	:	1.4800-1.9550
Cheddar 40# Block	:	1.5950-1.8550
Process 5# Loaf	:	1.6100-1.8175
Process 5# Sliced	:	1.6300-1.8700
Muenster	:	1.6950-1.8975
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

MIDWEST

The cheese market is unsettled to steady. Some cheese traders feel prices may be reasonably stable for the short term, about 2 - 4 weeks. Weakness is expected after the holiday pipelines are filled. Some tightness is noted on current regionally produced cheese supplies, especially muenster. Lead times are otherwise about normal for most varieties. Plant inventories remain minimal. Intermittent overtime is needed at many natural cut and shred lines though many still would have capacity for more business. Since many firms have invested in equipment to increase capacity/efficiency in recent years, total packaged cheese throughput is higher. Process sales remain steady at fair seasonal levels. Aged cheddar interest is steady to somewhat improved though buyers are price conscious. Many large buyers have been working on their cheese commitments for next year with their regular suppliers, some are done and others are still under negotiation. Cheese yields remain strong seasonally though plant milk volumes are often lower seasonally.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.5800-2.0000
Brick And/Or Muenster 5#	:	1.9800-2.1100
Cheddar 40# Block	:	1.8100-2.2650
Monterey Jack 10#	:	1.8600-2.2650
Blue 5#	:	2.3050-2.7000
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.7550-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.3900-2.9500

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	CHEESE
10/18/04	32,095	131,171
10/01/04	34,271	131,981
CHANGE	-2,176	-810
% CHANGE	-6	-1

WEST

Weekly average prices at the cash CME cheese market declined for the second week. Therefore, natural and process prices again moved lower. This week, so far, the average should move higher. Buyers are struggling to implement a purchase strategy that will work with these weekly price gyrations. Two weeks ago many buyers did increase purchase levels, but not everyone did. This past week when prices again rebounded, many buyers decided to sit on the sidelines until some stability returns to the market. The problem that many buyers are now facing is that it is getting very late in the fall to have this little coverage for the normally good, fall selling season. They are beginning to worry that there will not be enough time to efficiently cover their needs. Current Western cheese is generally available with few discounts noted. Production levels are on estimate or higher. Long aged cheese is not readily available. Swiss is available and moving under normal buying interest. Imports of cheese under license requirements through September total 197.2 million pounds, up 9.6% from the first nine months in 2003. Imports stand at about 66% of annual quota volumes. High-tier imports for the first nine months of 2004 total 36.5 million pounds, up 5.4% from the same period last year.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.5525-1.8125
Cheddar 40# Block	:	1.5725-1.9250
Cheddar 10# Cuts	:	1.7525-1.9725
Monterey Jack 10#	:	1.7625-1.9225
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.7000

FOREIGN

Prices are steady to lower. The market tone is improving seasonally as retail outlets prepare for anticipated Thanksgiving needs. Domestic styles have seen price declines each of the past two weeks and buyers are showing more interest while prices are lower. Supplies of most cheeses are adequate to meet current needs. Imports of cheese, subject to licensing, during the first nine months of 2004, total 89.464 million Kg, 9.6% more than the same period last year. Imports of "high-tier" cheese during the same period total 16.571 million Kg, 5.4% more than a year ago.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

	NEW YORK	
VARIETY	IMPORTED	DOMESTIC
Roquefort	TFEWR	-0-
Blue	2.6400-4.2900	1.8175-3.3075*
Gorgonzola	3.6900-5.9400	2.3225-2.4900*
Parmesan (Italy)	TFEWR	3.2275-3.3375*
Romano (Italy)	2.1000-3.1500	-0-
Provolone (Italy)	3.4400-5.6900	1.8300-2.0525*
Romano (Cows Milk)	-0-	3.0125-5.1875*
Sardo Romano (Argentine)	2.8500-3.2900	-0-
Reggianito (Argentine)	2.6900-3.2900	-0-
Jarlsberg-(Brand)	2.9500-4.0900	-0-
Swiss Cuts Switzerland	-0-	2.4500-2.6500
Swiss Cuts Finnish	2.5900-2.8500	-0-
Swiss Cuts Austrian	TFEWR	-0-
Edam		
2 Pound	TFEWR	-0-
4 Pound	2.1900-3.4500	-0-
Gouda, Large	TFEWR	-0-
Gouda, Baby ($/Dozen)		
10 Ounce	27.8000-31.7000	-0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	216	0	253	0	140	0
SOUTHEAST STATES	0	0	12	0	20	0

Regional Milk Market Administrators announced the following, September 2004 uniform prices: Northeast $16.06, Mideast $15.06, Southeast $16.43, Florida $17.69, and Western New York (a state order) $15.49 at the base city or county in the orders. (For the Northeast, Mideast, and Western New York orders, statistical uniform prices are reported.) September production in the 20 major states totaled 11.88 billion pounds, up 1.3% from September 2003. The following are the September-to-September changes for selected states: Texas & Florida +7.7%, Virginia +3.1%, Kentucky +0.9%, Pennsylvania -0.7%, Vermont -1.4%, and New York -2.7%. This week, milk output in the Northern parts of the region is slowly declining and most contacts feel they are at or near the low point in the annual cycle of milk production (November typically marks that point). Milk production in the Middle Atlantic area is about steady and is starting to increase in Southeastern states. Florida's milk flow is slowly starting to rebound as things are slowly getting back to normal. Contacts state that it will be awhile before they get back to pre-hurricane levels, but farmers are settling back into normal routines and thinking about replacing animals or getting their herds' output back to where it was. Florida's milk needs continue to be heavy, but they have eased from past weeks. Handlers are trying to maintain a little heavier milk inventory going into weekends because finding trucks and truckers continues to be a big issue and they do not want to be caught short. Bottled milk sales are generally reported as steady throughout the region. Surplus milk supplies are lighter than expected, but little changed from the past few weeks. Manufacturing plant schedules are light in the Southeast, moderate in the Northeast. The condensed skim market is mostly unchanged. Some reports indicate that some skim users have switched back to condensed skim from NDM, while others continue to use powder. The fluid cream market is firmer this week. Most suppliers comment that the very long cream supply over the weekend quickly turned around. Suppliers, at midweek, were looking for loads to fill sales. Spot multiples are mixed and Monday's (10/18) drop in the cash butter price at the CME seemed to spark more interest. Best/lowest prices were noted over the weekend, but increased as demand outpaced supply at mid-week. Renewed interest from UHT cream bottlers was noted as they start to fill Thanksgiving orders. Ice cream production is about steady, but more often is settling into fall/winter production levels. Cream cheese output is also showing some improvement now that spot prices have moved lower the past two weeks.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, $ PER LB BUTTERFAT		
F.O.B. Producing Plants: Northeast	-	2.1895-2.3579
Delivered Equivalent Atlanta	-	2.2063-2.3747 M 2.2568-2.3242
F.O.B. Producing Plants: Upper Midwest	-	2.2400-2.3242
PRICES OF CONDENSED SKIM, $ PER LB SOLIDS		
F.O.B. PRODUCING PLANTS:		
Northeast- Class II - includes monthly formula prices	-	.9150- .9600
Northeast- Class III - spot prices	-	1.0100-1.0900

M I D W E S T

Class I demand was mixed, flat for some yet stronger for others. Production is also just starting to pick up seasonally for other products, whipped and sour cream, and even ice cream showed a spurt for a few producers. Overall cream demand seems stronger. Class II condensed skim interest remains good though Class III remains very slow. Fluid shipments to Florida from the upper Midwest remain strong. Manufacturing milk demand is irregular, though often better this week. Reported spot manufacturing milk prices range from $1.75 – 2.70 net over class fob. The lower end price is mainly for weekend supplies and prices are typically higher during the week. Current plant milk intakes in the upper Midwest are often close to steady on a week to week basis, though with the usual up and down fluctuations. Fat and protein levels remain very high seasonally resulting in better manufactured product yields. The fall harvest and tillage season continues though the cool summer delayed crop maturity in the upper tier of states and many crops remain wet and are left to field dry further. Estimated September milk production in selected Midwestern states compared with September 2003 is: Wisconsin, 1.784 billion pounds, down 8 million pounds (-0.4%); Minnesota, 635 million pounds, off 2 million pounds (-0.3%); Michigan, 511 million pounds, a drop of 23 million pounds (-4.3%); and Iowa, 281 million pounds, off 17 million pounds (-5.7%). Cow numbers were below year ago levels in each of these states.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	OCT 14 - 20	PREVIOUS YEAR
SLAUGHTER COWS	$ 47.00- 53.50	$ 46.50- 50.50
REPLACEMENT HEIFER CALVES	$300.00-625.00	$350.00-500.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	OCT 14 - 20	PREVIOUS YEAR
SLAUGHTER COWS	$ 47.00- 54.00	$ 50.00- 55.00

W E S T

September milk production for the 20-States totaled 11.9 billion pounds, up 1.3% from a year earlier. Cow numbers were up 4,000 head from last month and 6,000 head from last year. The rate of monthly herd building has slowed down since the summer peak of 20,000 head per month. Production per cow was up 1.2%. Output for selected Western states compared to last year is as follows: Arizona +10.8%, California +4.9%, Idaho +4.4%, New Mexico +1.7%, and Washington -4.2%. Cow numbers declined in Washington while increasing in the other four states. Production per cow was reduced in New Mexico and Washington while being unchanged or higher in the other three states. Wet weather conditions invaded CALIFORNIA with a vengeance this week. Some locations received record rains for the date. The impact on the milking herds is too early to tell, but history would suggest that intakes could be lower for cows in lots that are not covered. Several production plants had scheduled down days this week and there was extra milk available. There are no reports of milk being shipped to or cancelled from a plant because of the recent shifts in butter and cheese prices at the CME. In the southern milk producing areas of the state the rains were causing some delays in milk shipping where roads flooded and travel times slowed. Processing plants reported no other problems besides getting milk intakes on time. Rains were causing limited problems in the Central Valley. Some reports of slower fluid milk sales were noted, both at retail and some declines for schools. Further north, the rains and high winds were affecting traffic patterns. ARIZONA milk output slowed this week, but is higher than last year due to higher production per cow and more cows. Weather conditions are cooling off. Heavy rains are forecast for later in the week which could impact milk cows. Retail milk sales are good with some feature activity occurring. NEW MEXICO milk production is mostly steady. There are some localized declines due to the effects of recent rains. Slight increases in somatic cell counts are reported. Out of region shipments remain lower than projections with the Southeast taking less milk. The declining butter market continues to impact both CREAM prices and demand. The cream supply is looser than in recent weeks. Higher milk supplies and increased fat levels coupled with inconsistent demand leave more cream on the market. Demand from the ice cream trade is light with good interest continuing from cream cheese and sour cream producers. The CME cash butter price closed at $1.6425 on Wednesday, October 20, down 4.25 cents from last week. Cream multiples are lower in the 115 to 128 range, FOB and vary depending on class usage and basing point. Rain, cooler temperatures, and snow at higher elevations are the weather situation in the PACIFIC NORTHWEST. Some producers are reporting that milk receipts are not up to expectations while others indicate a more seasonal milk flow. Fall cropping is basically finished with most cattle now being fed at least some stored feed. Quality hay supplies still seem to be in tight supply with prices firm. Grain needs are booked for the winter at prices less than last year. Heifer prices remain firm. Manufacturing plants are able to efficiently handle current milk supplies. Wet conditions and colder temperatures are common over much of UTAH and IDAHO. The moisture is very welcome and is coming at a perfect time to replenish some ground water supplies before the winter freeze up hits. Some plants are able to balance milk receipts with product demand by buying some outside milk supplies. Milk producers are still looking to cover a portion of their winter hay needs. Offerings are lighter than expected and prices are firm.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are unchanged to lower on a steady market. Production is generally steady. Stocks are reported as in balance to higher. Demand for low heat NDM direct from the manufacturer is light to fair. Although stocks of aged NDM from CCC exchange programs are decreasing, interest remains higher for the aged versus fresh NDM. Supplies of high heat are greater than anticipated for this time of year with some producers trading at a discount to the market. Some buyers are being encouraged to pick up their high heat contract loads as soon as possible. Offering prices on low or high heat from Western producers are too high for traders to sell in the Central region, especially with additional costs for freight.
EAST: Prices are generally unchanged in the East. The market tone is steady despite a slight up-tick in the mostly prices for the Central/East region. Production levels were again lighter. Surplus milk volumes are tighter than expected for late October. This is helping some producers reduce their heavy inventories. Contract sales continue to clear normal volumes, but spot interest still appears to be centered on the resale market and the powder that came out of government programs. Some reports do note that this type of NDM is getting a little harder to find, particularly powder with the least amount of age on it. Prices are often noted in the mid-70's for NDM that is more than two years old. Demand for current production is mostly contractual, but a few reports have been noted that high heat NDM is not moving as well as it did a month or two ago. This surprises some contacts.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
LOW/MEDIUM HEAT: .8000 - .9400 MOSTLY: .8200 - .8500
HIGH HEAT: .8700 - 1.0300

NONFAT DRY MILK - WEST

Western low/medium heat nonfat dry milk prices are holding mainly steady. The market tone varies, dependent on the marketing opportunity. Direct, non-subsidized, export sales continue to move NDM out of the region. The pricing levels are at the top end of the range. Domestic spot sales are minimal. Cheese producers are mostly purchasing contract minimums and using stored powder or condensed skim. Higher fuel costs and trucking surcharges are hampering any attempts to move NDM to other regions. Besides, NDM is available in all markets. The support program remains the option to move surplus NDM. During the week of October 11 - 15, CCC purchased 4,545,058 pounds of NDM from the West. High heat NDM prices are unchanged in an unsettled market tone. Producers are noting that overall sales are slower than anticipated and several are reducing production to keep balanced inventories.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
LOW/MEDIUM HEAT: .7950 - .9000 MOSTLY: .8000 - .8750
HIGH HEAT: .8400 - .9100

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
October 15	$.8538	12,682,989	1,964,975
October 8	$.8447	13,437,523	3,936,832

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK – CENTRAL

Prices are unchanged and nominal on a weak market. Demand is light. As a result, producers are not aggressive in moving supplies. Production is mostly steady as producers make a concerted effort to move condensed buttermilk to end-users instead of costly dryers. Traditionally, production and supply increases are most notable around the Thanksgiving holiday. Buyers and sellers expect more activity in the market as this holiday nears.

F.O.B. CENTRAL: .9000 - 1.0100

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are unchanged and the market tone is steady. However, there are a growing number of reports from the East and other regions that dry buttermilk is not selling as well as anticipated and the lack of spot interest is causing some weakness in the market. Some Eastern producers report growing inventories of "off-spec" powder. Production levels are generally lower as churning activity remains seasonally light. This week, fluid cream was reported as tight and little excess cream cleared to area churns. Producer stocks of Extra Grade are light to adequate for the steady spot demand. Most truckload sales are contract shipments. Northeastern prices remain nominal and include resale loads.

F.O.B. NORTHEAST: 1.0000 - 1.0200
DELVD SOUTHEAST: 1.0100 - 1.0600

DRY BUTTERMILK - WEST

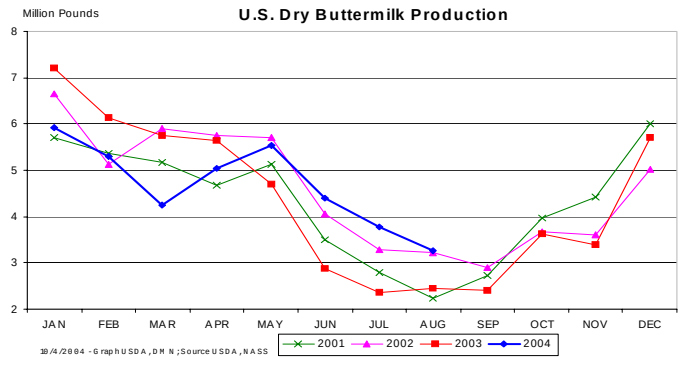
There continues to be limited spot trading for the Western dry buttermilk series. The inactivity is evident in the lack of movement in pricing while prices in other regions and for substitute products have declined. Current, dry buttermilk sales are mainly to contract and seasonal accounts. Production levels trend with the churning activity in the region, which is variable depending on the level of current and projected butter orders. There is consideration to sell condensed and avoid higher drying costs. Inventory levels for producers are light to moderate and are able to meet current needs.

F.O.B. WEST: 1.0200 - 1.0700 MOSTLY: 1.0300 - 1.0500

DRY WHOLE MILK - NATIONAL

Prices are unchanged to lower and nominal. The market tone is unchanged. Production levels are light and plant inventories limited. Some traders have commented that it is difficult to find spot, domestic dry whole milk in the East and offerings from the West are only slightly more available. There are continued reports of imported whole milk powder at competitive prices

F.O.B. PRODUCING PLANT: 1.2825 - 1.3775



WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY - CENTRAL

Prices are higher on a steady to firm market. Increased interest from export markets is reducing supply availability at some locations. However, supplies are not short as contractual commitments and/or requests for additional loads are being met without delay or difficulty. Offering prices are generally higher. Buyers that are not in dire need of additional supplies are opting to wait until the end of the year to make additional purchases as prices are expected to settle. Resale trade is generally at a premium for the fair to good demand.

F.O.B. CENTRAL: .2275 - .2475 MOSTLY: .2275 - .2325

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are steady to fractionally higher and Northeastern prices remain nominal. The market tone is firming and the firmness seems to stem mainly from the supply side of the market. The tight surplus milk volumes are limiting cheese output at most plants and dry whey stocks at the plant levels are tight. Reports indicate that some producers are delaying shipments, while others, who had cut contracts, are also tight, but in slightly better balance. An occasional spot load becomes available, which clears quickly and usually to contracted buyers. Traders still seem to be able to fill spot needs from inventories accumulated earlier in the year, but premiums for this product are increasing. Demand is improving as buyers, seeing higher prices, are showing more buying interest. However, buying interest is not overly aggressive.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2325 - .2600
DELVD SOUTHEAST: .2550 - .2625

DRY WHEY – WEST

Western whey range prices held steady this past week, but the mostly increased fractionally. Domestic demand is good at steady levels. Prices have increased far enough that some export sales are meeting with some price resistance. Exporters are also watching the calendar and know that they need to get product shipped before the end of the year holiday issues cause them more problems. Production levels are generally heavier than producers had anticipated. Some lactose and WPC producers are allowing some whey solids to move to whey dryers as a good alternative.

NONHYGROSCOPIC: .2150 - .2650 MOSTLY: .2250 - .2375

ANIMAL FEED WHEY - CENTRAL

Prices are higher and nominal on a steady to firm market. Prices continue to trend higher with the Extra Grade market. Supplies are tight. Demand is good, especially as alternative feed products such as permeate are also limited in supply. Veal prices are trending higher while early weaned pig markets are mostly steady.

F.O.B. CENTRAL:
MILK REPLACER: .1850 - .2150

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged on a steady market. Export demand is generally good whereas domestic interest is fair at best. Feed buyers are tending to divert their interest to the resale market where product is more attractively priced. Production is mostly steady. Traders suspect that 34% WPC might evolve to be a niche market as more firms produce high protein WPC. Offerings of NDM from last year's drought relief program are noted into some feed operations as a substitute to 34% WPC. Available supplies of drought relief NDM are reportedly heavy. Buyers are generally skeptical of entertaining a deal based on some of the limitations imposed on use and movement at the time of government release. Domestic high protein offering prices are sometimes competitively priced with 34% WPC. However, high proteins are not presently displacing 34% WPC movement, especially as some end-users of high protein gear up for expected New Year's resolution dieter demand.

F.O.B. EXTRA GRADE 34% PROTEIN: .5700 - .6400 MOSTLY: .5975 - .6225

LACTOSE - CENTRAL AND WEST

Prices are unchanged to lower on a weak market. A few more contracts have been finalized at lower prices. As permeate and whey prices firm, some traders expect that lactose prices will settle. Producers that did not fully contract their supplies for the quarter continue to offer additional loads on a spot basis. Spot demand is light into export markets and fair domestically. Supplies are in balance to somewhat tight on the higher mesh size product. Supplies of lower mesh size product are reported as heavier than desired. Off grade lactose is available with movement improving as feed sector interest increases.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.
F.O.B. EDIBLE: .1500 - .2300 MOSTLY: .1700 - .2000

CASEIN – NATIONAL

Casein markets remain firm. Some unconfirmed reports of higher priced casein are occurring. Stocks are in very close balance and in most instances, short of full needs. Suppliers and domestic buyers feel that this situation will remain so into 2005. Oceania production is seasonally occurring, but reports indicate that the season may not be as positive as in years past. European production continues to decline as late season milk volumes are very competitive. The recent manufacturing allowance reduction in Europe will further firm prices. Under invitation #30, no government owned non fat dry milk was sold for the production of casein/caseinate. Bids of $0.3500 per pound were rejected. On October 14, USDA issued invitation #31 offering for sale 8 million pounds of NDM for this purpose. Bids were due on Tuesday, October 19 with public notice of awards on October 21.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 2.7500 - 3.0000
ACID: 2.8000 - 3.0000

EVAPORATED MILK – NATIONAL

Prices and the market tone are unchanged. Production levels range from steady to lighter where surplus milk supplies are the tightest. Producers continue to make enough current output to supplement inventoried stocks during this time of seasonally improved demand. Producer stocks are moderate, but dwindling. Trucking continues to be a major issue in getting loads delivered.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES $22.00 - 30.00
Excluding promotional and other sales allowances. Included new price announcements.

SEPTEMBER MILK PRODUCTION

Milk production in the 20 major states during September totaled 11.9 billion pounds, up 1.3 percent from September 2003. August revised production, at 12.4 billion pounds, was up 1.4 percent from August 2003. The August revision represented a decrease of 11 million pounds or 0.1 percent from last month's preliminary production estimate. Production per cow in the 20 States averaged 1,529 pounds for September, 18 pounds above September 2003. The number of milk cows on farms in the 20 States was 7.77 million head, 6,000 head more than September 2003, and 4,000 head more than August 2004. Milk production in the U.S. during the July-September quarter totaled 42.2 billion pounds, up 1.1 percent from the July-September quarter last year. The average number of milk cows in the U.S. during the quarter was 9.03 million head, 40,000 head less than the same period last year.

STATE	MILK COWS 1/ 2/				MILK PRODUCTION 1/ 3/			
	SEPTEMBER		JULY-SEPTEMBER		SEPTEMBER		JULY-SEPTEMBER	
	2003	2004	2003	2004	2004	% CHANGE FROM 2003	2004	% CHANGE FROM 2003
	THOUSANDS				MILLION LBS.	PERCENT	MILLION LBS.	PERCENT
AL	--	--	18	17	--	--	52	-1.9
AK	--	--	1.2	1.2	--	--	3.9	-11.4
AZ	155	165	155	162	276	10.8	848	10.1
AR	--	--	28	26	--	--	73	-7.6
CA	1,695	1,737	1,693	1,733	2,970	4.9	9,124	4.1
CO	--	--	100	103	--	--	546	0.2
CT	--	--	22	21	--	--	95	-4.0
DE	--	--	8.0	7.0	--	--	28.8	-7.1
FL	139	137	140	138	153	7.7	508	8.1
GA	--	--	85	84	--	--	319	---
HI	--	--	6.5	5.9	--	--	19.6	-13.3
ID	413	431	411	430	767	4.4	2,358	4.1
IL	109	107	110	107	154	-0.6	476	-1.2
IN	155	150	152	150	231	-5.3	717	-1.8
IA	200	190	200	191	281	-5.7	876	-5.2
KS	--	--	110	115	--	--	555	9.9
KY	111	109	113	110	109	0.9	341	2.4
LA	--	--	42	37	--	--	103	-5.5
ME	--	--	35	34	--	--	156	-0.6
MD	--	--	77	73	--	--	282	-4.1
MA	--	--	18	17	--	--	74	-6.3
MI	304	303	304	302	511	-4.3	1,580	-3.6
MN	470	465	472	465	635	-0.3	1,984	-0.6
MS	--	--	30	27	--	--	80	-8.0
MO	127	121	128	121	139	0.7	436	1.4
MT	--	--	18	18	--	--	89	2.3
NE	--	--	63	61	--	--	256	-4.5
NV	--	--	26	25	--	--	122	-0.8
NH	--	--	16	16	--	--	75	1.4
NJ	--	--	12	12	--	--	49	-5.8
NM	318	330	317	330	551	1.7	1,709	2.7
NY	668	654	671	655	929	-2.7	2,907	-2.0
NC	--	--	60	56	--	--	241	-0.8
ND	--	--	35	34	--	--	134	-2.2
OH	259	266	260	266	367	2.8	1,138	3.2
OK	--	--	81	77	--	--	307	-3.8
OR	--	--	120	120	--	--	574	3.4
PA	566	562	570	560	795	-0.7	2,465	-1.7
RI	--	--	1.3	1.1	--	--	4.6	-13.2
SC	--	--	18	17	--	--	63	-1.6
SD	--	--	82	81	--	--	341	2.7
TN	--	--	78	76	--	--	270	---
TX	320	320	320	320	450	7.7	1,412	10.1
UT	--	--	90	88	--	--	418	3.2
VT	147	145	147	145	207	-1.4	645	-0.6
VA	111	104	112	104	134	3.1	415	3.5
WA	244	235	244	237	436	-4.2	1,353	-4.2
WV	--	--	15	13	--	--	51	-8.9
WI	1,253	1,239	1,254	1,240	1,784	-0.4	5,504	-1.1
WY	--	--	3.7	4.2	--	--	16.0	23.1
20 STATE TOTAL	7,764	7,770	--	--	11,879	1.3	--	--
U.S. 5/ 6/	--	--	9,073	9,033	--	--	42,194	1.1

1/ Preliminary. 2/ Includes dry cows, excludes heifers not yet fresh. 3/ Excludes milk sucked by calves. 5/ Includes states for which individual monthly estimates are not available. 6/ Milk cows will not add due to rounding. **SOURCE:** "Milk Production," Da 1-1 (10-04), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

THE DAIRY OUTLOOK

Hormone Restriction To Continue Into 2005

Monsanto has indicated that limited supplies of bovine somatotropin (BST) will continue "well into 2005, with incremental increases occurring over time," and some allocations will remain in place. For most of 2004, established users of BST were limited to only half their normal purchases, and no new customers were accepted. On December 1, 2004, allocations will increase to at least 70 percent of historical purchases.

The delay of full BST availability will dampen recovery in milk per cow during the first half of 2005. However, the prospects for substantial recovery in gains in milk per cow remain generally favorable. Some additional BST will be available, relative milk and concentrate feed prices will encourage heavier feeding, forage supplies will be ample even if quality is somewhat mixed, more normal culling may resume if heifer supplies recover, and milk per cow has already shown recovery from the very weak levels of the first half of 2004. Good weather for cows undoubtedly boosted summer milk per cow, but some of the economic factors probably also made significant contributions.

Source: "Livestock, Dairy, and Poultry Outlook," LDP-M-124, October 18, 2004, Economic Research Service, USDA, Washington, DC. For more information, contact James J. Miller, (202) 694-5184.

USDA Releases 2002 Farm Bill Study of Dairy Policy

Economic Effects of U.S. Dairy Policy and Alternative Approaches to Milk Pricing http://www.usda.gov/documents/NewsReleases/dairyreport1.pdf focuses on the effects of dairy programs on economic variables--price level and volatility, milk production, and producer revenues. Using standard tools of economic analysis, it examines how market impacts in turn affected farms, rural economies, and nutrition programs. Changes in the dairy sector are considered in a broad context with a long-run perspective. The analysis shows that effects of dairy programs on markets are modest and current dairy programs are limited in their ability to change the long term economic viability of dairy farms. Other forces--technology, changing consumer demand, and changes in the marketing and processing sectors--while difficult to measure, are likely more important to the future of the dairy industry.

FEDERAL MILK ORDER PRICE AND POOL SUMMARY, SEPTEMBER

HIGHLIGHTS - Handler reports of receipts and utilization under the Federal milk order system for September have been filed and tabulated. Combined totals for the 10 orders are being released. During September, about 7.9 billion pounds of milk were received from producers. This volume of milk is 19.4 percent higher than the September 2003 volume on a comparable market basis. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is -1.2 percent.) About 3.8 billion pounds of producer milk were used in Class I products, 0.2 percent lower than the previous year on a comparable market basis. Calendar composition had a negative impact on milk used in Class I in 2004 as compared to 2003. The all-market average Class utilization percentages were; Class I = 48%, Class II = 15%, Class III = 28%, and Class IV = 9%. The weighted average statistical uniform price was $15.52 per cwt., $0.53 higher than last month, and $1.06 higher than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF SEPTEMBER 2004

FEDERAL MILK ORDER MARKETING AREA 1/	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE 2/
		TOTAL	CHANGE FROM PREV. YEAR 3/	TOTAL	CHANGE FROM PREV. YEAR 3/	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			$ PER CWT.
Northeast (Boston)	001	1,788.3	-5.0	914.6	-1.1	51	20	23	6	16.06
Appalachian (Charlotte)	005	491.7	2.1	362.9	-2.9	74	15	6	5	16.52
Southeast (Atlanta)	007	559.7	4.1	393.8	1.6	70	11	11	8	16.43
Florida (Tampa)	006	190.7	-2.9	169.4	-4.4	89	8	1	2	17.69
Mideast (Cleveland)	033 4/	1,336.5	32.8	556.1	1.0	42	18	36	4	15.06
Upper Midwest (Chicago)	030 4/	1,290.3	100.4	375.2	8.0	29	9	52	10	14.85
Central (Kansas City)	032 4/	759.4	6.9	369.3	-9.1	49	17	24	10	14.93
Southwest (Dallas)	126 4/	743.9	40.1	356.2	2.6	48	14	27	11	15.75
Arizona-Las Vegas (Phoenix)	131	217.5	-2.0	82.3	3.4	38	11	40	11	15.18
Western (Salt Lake City)	135 5/	----	---	---	---	---	---	---	---	---
Pacific Northwest (Seattle)	124 4/	481.2	29.5	182.4	5.1	38	8	17	37	14.44
ALL MARKET AVERAGE OR TOTAL	3/ 4/	7,859.2	19.4	3,762.1	-0.2	48	15	28	9	15.52

1/ Names in parentheses are the major city in the principal pricing point of the market.
2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.
3/ Percent changes from the previous year are based on the same group of comparable markets—markets where the orders were in effect for both years. Excludes the Western Federal milk order; see 5/.
4/ Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform (blend) price in these markets, handlers elected not to pool an estimated 1.5 billion pounds of milk that normally would have been associated with these markets. In September 2003, the estimated not-pooled volume of milk was 2.9 billion pounds, occurring in Order Nos. 030, 032, 033, 124, 126, and 135. After adjusting for these not-pooled volumes, the year-to-year percent change is -1.2. 5/ Effective April 1, 2004, the Western Milk Marketing Order was terminated.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF OCTOBER 18 – 22, 2004			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/04	SAME PERIOD LAST YEAR	WEEK ENDING 10/15/04	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfortified	6,457,272	126,765	6,330,507	18,163,807	18,753,255	-0-	1,006,429,000
Fortified	-0-	-0-	-0-	-0-	-119,048	-0-	46,391,000
TOTAL	6,457,272	126,765	6,330,507	18,163,807	18,634,207	-0-	1,052,820,000

Export Donation Program under Invitation 080 to announcement FMP1. The estimated cumulative under Invitation 080 is 107,816,643 with 1,197,535 pounds since 9/30/04. $ Includes export donation deliveries under Invitation 070.

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF OCTOBER 18 - 22, 2004 =	1.4	73.7	COMPARABLE PERIOD IN 2003 =	0.8	42.2
CUMULATIVE SINCE OCTOBER 1, 2004 =	4.0	211.4	CUMULATIVE SAME PERIOD LAST YEAR =	4.1	216.9
CUMULATIVE JAN. 1 – OCT. 22, 2004 =	57.2	3,076.6	COMPARABLE CALENDAR YEAR 2003 =	696.2	6,629.7

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22
**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF OCTOBER 18 - 22, 2004 (POUNDS)

	BUTTER		CHEESE				NONFAT DRY MILK	
REGION	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	331,571	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	5,879,888	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	119,048	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/04 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
REGION	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
CENTRAL	-0-	-0-	-0-	-0-	1,331,567	-0-	7.3	0.0
WEST	-0-	-0-	-0-	-0-	16,374,090	18,634,207	90.2	100.0
EAST	-0-	-0-	-0-	-0-	458,150	-0-	2.5	0.0
TOTAL	-0-	-0-	-0-	-0-	18,163,807	18,634,207	100.0	100.0

NDM SELLBACK TO THE TRADE The cumulative sellback total for 2004 is **67,347,152 pounds.**

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - $9.90 per cwt.

BUTTER Bulk $1.0500 per pound; 1# Prints $1.0850
CHEESE 40 & 60# Blocks $1.1314 per pound; 500# Barrels $1.1014; Process American 5# $1.1889; Process Am. 2# $1.2289
NONFAT DRY MILK Nonfortified $.8000 per pound; Fortified $.8100; Instant $0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 10/02/04 & Comparable Week 2003

Regions* (000 HEAD)	1	2	3	4	5	6	7	8	9	10	U.S. TOTAL WEEK	U.S. TOTAL SINCE JAN 1	% DAIRY OF ALL WEEK	% DAIRY OF ALL SINCE JAN 1
2004-Dairy	0.0	0.7	7.1	2.7	15.9	3.2	0.6	0.9	12.0	2.3	45.5	1,793.9	46.9	47.1
2003-Dairy	0.2	0.8	8.0	5.3	22.2	3.2	0.6	1.1	14.9	3.1	59.5	2,166.7	48.9	47.6
2004-All cows	0.0	0.8	8.4	13.0	27.5	14.9	11.1	2.5	14.0	4.8	97.1	3,806.2		
2003-All cows	0.2	1.0	10.7	12.7	32.9	18.2	19.0	2.8	17.2	7.0	121.7	4,549.7		

SOURCE The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, the Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES,(3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2001	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87

FEDERAL MILK ORDER CLASS PRICES FOR 2004 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	11.85	11.59	11.94	13.64	19.65	21.13	17.95	14.62	13.94	14.78	14.29	
II	11.67	12.90	14.79	15.21	15.03	14.31	14.00	13.13	13.66			
III	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04	14.72			
IV	10.97	12.21	14.10	14.57	14.50	13.72	13.31	12.46	13.00			

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfmos/mib/cls_prod_cmp_pr.htm